

***United States Court of Appeals  
for the Second Circuit***



**APPELLANT'S  
BRIEF**





ORIGINAL

UNITED STATES COURT OF APPEALS  
FOR THE SECOND CIRCUIT

**74-1449**

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MISS UNIVERSE, INC.,

Plaintiff-Appellant,

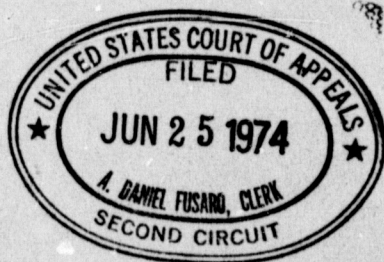
-against-

NATIONAL BROADCASTING CO., INC. and  
UNIVERSAL CITY STUDIOS, INC.,

Defendants-Appellees,

ON APPEAL FROM THE UNITED STATES DISTRICT  
COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

APPELLANT'S BRIEF



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UNITED STATES COURT OF APPEALS  
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MISS UNIVERSE, INC.,

Plaintiff-Appellant,

-against-

NATIONAL BROADCASTING CO., INC. and  
UNIVERSAL STUDIOS, INC.,

Defendants-Appellees.

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APPELLANT'S BRIEF

PRELIMINARY STATEMENT

The decision appealed from was rendered by the Hon. Whitman Knapp. To the knowledge of appellant, Judge Knapp's decision is not reported but is reproduced in the Appendix at pages 125a - 129a. (All references to the Appendix are followed by the letter "a.")

STATEMENT OF THE ISSUES  
PRESENTED FOR REVIEW

A. Does the plaintiff's complaint state a claim upon which relief may be granted?

B. Did the use by the defendants of the words "Miss U.S.A." and "Miss United States" in the title, script, advertising and promotion of their television film entitled

"McCloud: Who Killed Miss U.S.A." (hereinafter referred to as "McCloud") constitute an infringement of plaintiff's registered service marks "Miss U.S.A." and "Miss United States of America"?

C. Did the use by the defendants of the words "Miss U.S.A" and "Miss United States" in the McCloud title, script, advertising and promotion related thereto, constitute a dilution of the said service marks of the plaintiff within the meaning of Section 368-d of the New York General Business Law?

D. Did the use by defendants of the words "Miss U.S.A." and "Miss United States" in the McCloud title, script, advertising and promotion related thereto, constitute trade libel and/or business disparagement against the plaintiff?

E. Did the use by defendants of the words "Miss U.S.A." and "Miss United States" in the McCloud title, script, advertising and promotion related thereto, constitute unfair competition against the plaintiff?

#### STATEMENT OF THE CASE

The plaintiff appeals from a final judgment of Judge Knapp docketed on March 18, 1974 granting judgment in favor of the defendants and against the plaintiff dismissing the complaint herein. The issues in the action



were tried before Judge Knapp on March 13 and 14, 1974 and at the conclusion of the plaintiff's evidence, the Court granted the motion of the defendants to dismiss the complaint.

In accordance with the pretrial order, the trial was limited to the question of liability. All issues as to damages were to be tried separately (23a).

The action of the plaintiff against the defendants involves a claim of trademark infringement and unfair competition, trade libel and disparagement and trademark dilution.

In prior proceedings, Judge Edelstein denied the motion by the plaintiff for summary judgment on the first cause of action alleged in the complaint which related to the claim of trademark infringement. Judge Edelstein's opinion was filed on April 21, 1971 and appears at pages 20a to 22a of the Appendix. Plaintiff is not appealing from Judge Edelstein's denial of the motion for summary judgment.

#### STATEMENT OF FACTS

The plaintiff is the owner of two service marks registered with the United States Patent Office, Nos. 808,974 and 808,975 for "Miss U.S.A." and Miss United States of America" respectively, both registered in

Class 101 as service marks for promoting the goods and services of others through the medium of a beauty contest conducted on a national and regional basis (24a, 25a).

Since 1952, the plaintiff has annually conducted national beauty pageants under its service marks. Beginning in 1965 and in each year since, the finals of plaintiff's annual week-long "Miss U.S.A." Beauty Pageant have been telecast nationally over the CBS Television Network (25a, 26a).

In addition to the annual, week-long beauty pageant and telecast, the plaintiff also engages in year-round business activities relating to its Miss U.S.A. Beauty Pageant. These activities include franchising of local pageants, promotional activities in connection with the goods and services of sponsors and appearances by the contestant selected as "Miss U.S.A." each year on behalf of the plaintiff and its sponsors (26a).

The defendant Universal City Studios, Inc. and its division, Universal T.V. (said division and said defendant are referred to collectively as "Universal") produced a motion picture photoplay entitled "McCloud: Who Killed Miss U.S.A."

The motion picture McCloud was broadcast by the defendant, National Broadcasting Co., ("NBC"), on the NBC Television Network on February 17, 1970. McCloud was



rebroadcast on September 8, 1970 under the same title with no deletions during the pendency of this action. There were subsequent rebroadcasts under a different title, but otherwise without any deletions or changes. The defendant NBC owns and operates television broadcasting stations which stations, together with television stations operated by third parties contractually affiliated with NBC constitute the NBC television network over which the McCloud photoplay was broadcast (23a, 24a, 26a, 27a).

The NBC television network and the CBS television network are in competition with each other (26a).

At no time did Universal or NBC approach the plaintiff with respect to the use of the words "Miss U.S.A." and "Miss United States" in the McCloud telecast. On or about January 30, 1970, the plaintiff became aware for the first time, through a news release dated January 22, 1970, that NBC was planning to televise the McCloud motion picture. Prior to that time, the plaintiff had no knowledge of the production or filming of McCloud and had never given its consent to the use of its service marks in connection with the production (28a, 95a).

After plaintiff learned of the proposed McCloud telecast it sent three telegrams to NBC on January 30, 1970 objecting to the alleged infringements (28a, 95a). On

February 2, 1970, plaintiff received a letter by messenger from NBC's senior attorney advising that Universal had produced and supplied the McCloud motion picture and that plaintiff's telegrams had been forwarded to Universal for appropriate action (28a, 95a-96a).

In a telephone conversation with Mr. Joseph Dubin, Universal's counsel, on February 4th or 5th plaintiff expressed its concern over the unauthorized use of its service marks and requested an appointment to view the motion picture. Mr. Dubin advised that the defendants intended to proceed with the telecast notwithstanding the plaintiff's objections. Notwithstanding the attitude of defendants, it is significant to note that Mr. Dubin asked plaintiff whether it would consider licensing the use of the service marks (61a). The plaintiff replied that it could not consider licensing until after the film was viewed (62a). Although the plaintiff made "repeated requests" to view the telecast as soon as possible, the McCloud telecast was not made available for viewing until February 16, 1970 which was one day prior to the scheduled telecast on February 17 (97a-98a). The film was broadcast a second time on September 8, 1970 (27a).

The film was shown to two officials of the plaintiff, Mr. Norman Beier, assistant general counsel,



and Mr. Herbert Landon, the then Executive Director of the plaintiff (98a).

At the trial, Mr. Beier testified that after viewing the McCloud film, he advised the representatives of the defendants as to the fact that the plaintiff was "quite distressed by the film, by the use of our trademark, and by the characterization in the film" (99a). Later that afternoon a meeting was held among the parties, including plaintiff's president, at which time the plaintiff gave details of its objections to the film in connection with its registered trademarks. These objections included the fact that the film degraded beauty contests and in particular the plaintiff's Miss U.S.A. Beauty Pageant. Plaintiff requested that either the film not be shown or that defendants make changes deleting all references to plaintiff's trademark. Although it seems that deletion of the references to plaintiff's trademark was technically possible, the defendants stated that they had no intention of making any changes and were proceeding with the program (101a).

Plaintiff advised that if the changes were not going to be made, it would commence a suit and, in fact, on the following day the plaintiff did commence this litigation (102a). It should be noted, however, that the plaintiff did not request the issuance of a preliminary

injunction to prevent the presentation of the program by the defendants (102a).

It should be pointed out that the defendants did not respond rapidly to repeated requests made by the plaintiff to view the film. The reaction of the defendants was to delay the matter and conceal the McCloud film from plaintiff for as long as possible. On the other hand, it is clear that the plaintiff proceeded diligently in contacting the defendants and requesting to view the film and explaining its position (102a, 103a).

At the time of the trial, the McCloud film was shown to the Court in its entirety as was the 1969 Miss U.S.A. Beauty Pageant film (108a).

The McCloud film concerns a sheriff from New Mexico, Marshall McCloud, who after capturing a fugitive wanted by the New York City Police as a material witness in connection with the appeal of a defendant convicted for murdering a beauty contest winner, was required to deliver his prisoner to the police in New York City. At the airport, the fugitive is kidnapped and the ensuing action depicts the efforts of Sheriff McCloud to recapture his prisoner and his involvement in solving the underlying murder. During the course of the events, McCloud meets a woman reporter who wrote a book on the murder entitled "Who



Murdered Miss United States" and McCloud's attempt to exonerate the original defendant.

The title to the book and also the McCloud film is derived from the fact that the murdered girl was a contestant in the Miss U.S.A. Beauty Pageant. The murdered girl had previously won the title "Miss Tennessee" and she was now appearing in the Miss U.S.A. Beauty Pageant.

At the meeting following the viewing of the film on February 16, 1970, plaintiff's representative pointed out to the defendants the specific objections of the plaintiff, as follows:

1. There are approximately eight or nine usages of the plaintiff's trademarks in the title, in the book and in the film (111a, 112a).

2. The use of plaintiff's trademark in the title of the film and the book has no relevancy to the film script. The murdered girl had the title "Miss Tennessee" and although she was a contestant in the Miss U.S.A. contest she was never selected as Miss U.S.A. Mr. Beier testified at the trial "We thought they were just taking our title, and we told them so, for purposes of using it for their publicity purposes." (112a).

3. The contestants in the beauty pageant are portrayed in a very bad light and circumstances. For instance,

Miss Tennessee is shown throughout the film unchaperoned and depicted in many instances in the film "as turning men on" (112a, 113a).

Mr. Parkinson, the plaintiff's Executive Director, testified extensively as to the strict chaperone procedures used by the plaintiff for all contestants in its beauty pageant to make certain that the contestants' conduct is beyond reproach (63a-68a). Mr. Parkinson also testified that permitting the contestants depicted in the McCloud telecast to be unchaperoned and to have improper hotel facilities was contrary to the policies of the plaintiff and to the manner in which it conducted its beauty pageant (117a).

Mr. Parkinson testified to the following situations depicted in the McCloud telecast which are contrary to the manner in which the Pageant is actually conducted:

1. The scene showing the murdered girl walking in Central Park unchaperoned could not happen during a Miss U.S.A. Beauty Pageant since the contestants are always chaperoned (115a, 116a).

2. A contestant would not be alone in a room but only with a chaperone or hostess so that the chaperone would receive callers or answer the door. In the McCloud telecast, the murderer visits the girl, Miss Tennessee,



at a time when she is alone in her room and unchaperoned (116a).

3. The film shows the beauty contestants receiving room service which is not permitted at the Miss U.S.A. Pageant (116a).

4. The layout of the hotel rooms depicted in the McCloud telecast is not the arrangement actually used by plaintiff. Plaintiff, at its pageant, always has its contestants secluded and isolated (117a).

5. The hotel depicted in the McCloud telecast is of a nature which would not be utilized by the plaintiff (117a).

Plaintiff submits that the sum and substance of the use of the plaintiff's trademarks and the characterizations and manner in which the girls are depicted in the McCloud telecast cast disparagement upon the plaintiff's beauty pageant and depicts plaintiff's beauty contestants in an immoral manner, virtually characterizing them as high-class prostitutes.

The damage to the reputation of the beauty pageant operated by the plaintiff is significant when viewed in light of the television ratings for the 1969 Miss U.S.A. Beauty Pageant broadcast on the CBS Television Network. As Mr. Parkinson testified, at that time approximately

14,900,000 homes viewed the Miss U.S.A. Beauty Pageant, i.e., approximately 26% of all the people in the United States at that time were watching the plaintiff's program (79a, 80a).

From the testimony of plaintiff's witnesses, it is clear that the plaintiff exercises extreme care in the conduct of its beauty pageant so as to avoid any possible embarrassing situations. The McCloud film makes a mockery of plaintiff's efforts. As Mr. Parkinson testified, during his 19 years of experience in the beauty pageant business, he has never been involved in a pageant in which the contestants were not chaperoned (81a). In the McCloud telecast the contestants are not chaperoned leaving the clear impression that a beauty contestant can be approached and attend to the business of "turning men on." Obviously, the association of plaintiff's trademark with such factual situations constitutes a clear infringement of plaintiff's registered marks, the disparagement of its business and unfair competition by publicizing and using plaintiff's service marks in the McCloud film in order to create interest on the part of the viewing audience.



### SUMMARY OF ARGUMENT

1. Plaintiff's complaint states a claim upon which relief may be granted.

2. The use by defendants of plaintiff's service marks "Miss U.S.A." and "Miss United States of America" constitute an infringement under the Lanham Trademark Act.

3. It is not necessary that the parties be in direct competition with each other in order for the defendants to infringe plaintiff's service marks.

4. Defendants' McCloud production constitutes unfair competition and trade libel and product disparagement as against the plaintiff.

5. The use by defendants of plaintiff's service marks constitutes a dilution under the provisions of Section 368-d of the New York General Business Law.

### POINT I

THE DECISION HEREIN BY JUDGE  
KNAPP IS CONTRARY TO THE PRIOR  
DECISION OF JUDGE EDELSTEIN.

Previously, the plaintiff made a motion for summary judgment on its first cause of action alleging trademark infringement by the defendants in connection with their use of the phrases "Miss U.S.A." and "Miss United States." Judge Edelstein in his decision of

April 21, 1971 denied the plaintiff's motion. As noted by Judge Edelstein, one of the defenses asserted by the defendants was that their use of the plaintiff's services marks was not a trademark use but was a use for the purpose of referring to "a particular beauty contest winner, . . . " As stated by Judge Edelstein "In what sense defendants used the phrases in question certainly appears to raise genuine triable issues of fact." (21a).

Judge Edelstein also held that the contention of the plaintiff that the defendants acted with bad faith in producing the McCloud movie also raised a triable issue of fact (21a, 22a).

It should be noted that Judge Knapp dismissed the plaintiff's complaint at the conclusion of the plaintiff's case. No evidence was presented by the defendants and, of course, it was not possible, therefore, to cross-examine the witness which the defendants had proposed to produce at the trial. That cross-examination would have been devoted to the issues of fact raised by Judge Edelstein. These defenses are discussed in detail under Point II. As that discussion shows, defendant Universal had knowledge of plaintiff's use, capitalized on plaintiff's service marks in its promotion and advertising and could not have used plaintiff's marks for any reason other than to



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capitalize on plaintiff's good will created over the years. Plaintiff, however, was never given the opportunity to develop the facts in connection with these defenses, notwithstanding that Judge Edelstein's decision mandated that the facts surrounding these issues were necessary to make a final determination.

It is clear that the question whether the complaint states a claim upon which relief may be granted was determined favorably to plaintiff by Judge Edelstein when he held that there were questions of fact to be decided relating to the defenses asserted by the defendants. It was, therefore, improper for Judge Knapp to dismiss the plaintiff's case and, in effect, hold that it did not state a cause of action without making the factual determinations raised by Judge Edelstein's prior decision. That decision, in effect, constituted the law of the case and by dismissing at the end of the plaintiff's case, Judge Knapp was in error.

It is only necessary on this appeal to hold that the plaintiff has a claim in order to reverse Judge Knapp. It is clear that the plaintiff has stated a claim upon which relief may be granted and that Judge Knapp was in error in dismissing the plaintiff's complaint without making the factual determinations indicated by Judge Edelstein.

POINT II

THE USE BY DEFENDANTS OF PLAINTIFF'S SERVICE  
MARKS "MISS U.S.A." AND "MISS UNITED STATES  
OF AMERICA" CONSTITUTE AN INFRINGEMENT UNDER  
THE LANHAM TRADEMARK ACT.

This action arises under Section 32(1) of the Lanham Act, 15 U.S.C.A., Section 1114(1) on the ground that the use by the defendants of the words "Miss U.S.A." and "Miss United States" constitutes an infringement of the plaintiff's registered service marks. The applicable provisions of the statute read as follows:

"(1) Any person who shall, without the consent of the registrant----

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services in or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided . . . "



In *Miss Universe, Inc. v. Patricelli*, 408 F.2d 506 (2nd Cir. 1969) this Court held that plaintiff's service marks were valid, subsisting and in full force and effect. The Court stated its holding therein as follows (p. 511):

"The portions of the district court's decision which upheld the validity of appellee's registered service marks, their distinguishing identity of the source and origin of its services, the good will which was attached to them and the acquisition of a secondary meaning are affirmed."

There can be no doubt but that plaintiff's service marks are valid and have acquired secondary meaning. Further, there is no denial that the defendants have used plaintiff's service marks without the consent of the plaintiff. There can also be no doubt but that the defendants have committed an infringement as defined in Section 32(1) of the Trademark Act.

The defendants herein do not contest the validity of the plaintiff's trademarks but contend that their use of the plaintiff's trademarks do not constitute a use within the meaning of the Trademark Statute (38a).

This contention has no substance or support and is erroneous for the following reasons:

(a) Since the infringing words are used in the title of the defendants' photoplay such use does constitute a trademark use. See 3 Callmann, *The Law of Unfair Competition*

*Trademarks and Monopolies*, 3rd Ed. Sec. 85.1(a), at page 990. The use of the words "Miss U.S.A." in the title could only be for the purpose of attracting the public's attention to the advertised work and therefore such use must be a trademark use. As noted by Callmann, *supra*, non-trademark use would only be for the purpose of informing the public as to "quality or origin." Obviously, non-trademark use is not the use envisioned in the title of the photoplay since the reference to "Miss U.S.A." in "McCloud: Who Killed Miss U.S.A." could only have been intended to attract the public's attention. As a practical matter, this is probably true of any television program except those which are of a news-worthy or documentary nature. Obviously, the title of any fictional work, such as the McCloud photoplay is an attention-getting device and as such a device represents a trademark use and not, as the defendants contend, non-trademark use.

(b) The fact of trademark use is further substantiated by the content of the McCloud photoplay. Although the title is "McCloud: Who Killed Miss U.S.A.", this title is misleading. Miss U.S.A. is not a victim. The murdered girl is a contestant in a beauty pageant for the title Miss United States (111a, 112a). If the defendants intended a non-trademark use then it would have been necessary for them to have the title read "Who Killed Miss Tennessee." The



latter usage would have been a factual statement whereas the actual usage was not factual but only attention seeking. The fact that the actual usage by the defendants represents a mis-description rather than a factual description is further evidence of trademark use. Since a trademark does not have reference to usage, any mis-description (such as we have here) would constitute a trademark use rather than a non-trademark use.

(c) No testimony was presented by the defendants since the plaintiff's complaint was dismissed at the end of its case. Counsel for the plaintiff, therefore, did not have an opportunity to examine the witness for the defendants with respect to various contentions set forth in the pre-trial order (37a). These contentions relate to various searches made by the defendant Universal concerning the proposed titles to the McCloud photoplay. Those searches clearly demonstrate that the defendant Universal had knowledge as to the prior existence of the rights of the plaintiff.

The important point to be noted from the testimony that would have been presented is that the defendant Universal in searching for names to use in its title was also concerned about infringing on the rights of others (37a). Certainly, if Universal's use was in a non-trademark category, then

the extensive search which it conducted would not have been necessary.

(d) Another matter which would have been extensively reviewed on the examination of the witness for the defendants is their use of the plaintiff's registered service marks in preliminary advertising of the McCloud motion picture. In that connection, it would have been shown that the defendants used the Miss U.S.A. trademark extensively in its advertising and in various printed public relations material distributed prior to the telecast. Samples of defendants' advertising are included in the Record as exhibits attached to the papers used on the motion for summary judgment. Another sample of such use is the news release which brought McCloud to plaintiff's attention (132a-133a).

(e) Even if it should be found that defendants' use of plaintiff's registered service marks constituted a non-trademark use, plaintiff is entitled to the relief it seeks in view of defendants bad faith and deceptive use. A natural concomitant of the kind of unauthorized appropriation practiced by defendants is deception of the public. Callmann observes that "(w)hat is basic in such cases is the too frequently ignored issue of bad faith." (3 Callmann *supra*, Sec. 85.1(b) p. 998). If bad faith is evident,



Callmann concludes, relief should be granted.

If the defendants had presented their case, it would have been demonstrated at the trial that the search reports of their own attorneys put defendants on actual notice of plaintiff's rights.\* Moreover, as the testimony of Mr. Beier clearly demonstrates, plaintiff advised defendants in advance of its rights, yet defendants took absolutely no steps to eliminate or reduce the possibility of public confusion or deception. The title was not changed although there was ample opportunity to do so. No public explanation or disclaimer was issued to clarify that the production did not involve plaintiff, although there was ample opportunity to do so (28a, 95a-98a). The mere fact that defendants mechanically went through the motion of requesting (but apparently not reading) search reports cannot excuse their wilfulness and bad faith in appropriating plaintiff's registered service marks. To permit the unauthorized use of trademarks under such circumstances would result in the wholesale dilution of the value of all marks. "The law is . . . flexible enough . . . to grant protection, even against a non-trademark use of a descriptive mark with secondary meaning, where the dangers of dilution are evident."

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\*The search reports are included in the Record as exhibits to the papers used on the motion for summary judgment.

(3 Callmann, *supra*, Sec. 85.1(b) (p. 999)). It is submitted that the dangers of dilution are clearly evident in the instant case.

"When challenged, the defendant is obligated to justify his use. It is his task to convince the court that he has a right to that term. If that right is born of compelling necessity, he must then establish that his right was exercised with reasonable regard, proper precaution and due respect for the rights of the trademark owner. Necessity is not a convenient shelter for one who seeks to reap where he has not sown." (3 Callmann, *supra*, Sec. 85.1(c), p. 1003).

The defendants cannot demonstrate any "compelling necessity" and have in fact acted in bad faith and should be held accountable to plaintiff for trademark infringement under Section 32(1) of the Lanham Act.

In his opinion, Judge Knapp never answers plaintiff's contention of bad faith upon the part of the defendants, but merely concludes that the defendants' use of plaintiff's trademarks was not "actionable itself" (125a). The Trial Judge simply ignored the factors of bad faith on the part of the defendants and the prior notification by the plaintiff. The Trial Judge, in his opinion, confused the situation of simple usage of a mark while ignoring the circumstances surrounding such usage. The Court's confusion is demonstrated by a reference to a motion picture entitled



"Breakfast at Tiffany's." The Trial Judge commented as follows (125a-126a):

"I remember a movie being called Breakfast at Tiffany's, I'm sure - I don't know - but I'd be very surprised if they had a license from Tiffany's or if Tiffany would give them a license for it."

The Trial Judge's analogy to "Breakfast at Tiffany's" was improper.

In the instant case, we have a situation not only with respect to usage but also with respect to content and a content which the plaintiff submits casts improper aspersions upon the plaintiff's business. Again, the Trial Judge ignores this by confusing it with the question of whether there is a likelihood "to create confusion" (126a). The Judge states that because no one viewing the McCloud photoplay would consider that they were watching a beauty contest means that there can be no trademark infringement. This is an incorrect assumption on his part. It is not necessary to show actual confusion of the kind referred to by the Trial Judge. The interests of the owner of a trademark are many and varied. These include, as was stated in *National Automobile Club v. National Auto Club, Inc.*, 365 F. Supp. 879 (S.D.N.Y. 1973), the following interests (p.882):

"(1) protection against diversion of patronage, (2) protection of good will and customer favor, and (3) protection of legitimate potential to expand to other markets."

Obviously, someone watching the McCloud television movie would not think that he was watching a beauty contest. This is not the complaint of the plaintiff. The plaintiff's complaint refers to the fact that its service marks, which have been upheld by this Court in the *Patricelli* case, *supra*, require protection of good will and customer favor. The McCloud presentation violated the right to protection of good will and customer favor. The fact that the plaintiff acted in good faith in contacting defendants and that the defendants in effect displayed bad faith constitutes an actionable wrong on the part of the defendants. The Trial Judge totally ignored the questions which should be considered in any trademark infringement matter. He simply stated that since there was no likelihood to create confusion, there was no actionable wrong and dismissed the plaintiff's complaint. (See the discussion at pages 31-33 hereof)

The Trial Judge was also incorrect in stating that in order to establish trademark liability or product disparagement, it is necessary to show some kind of damage (126a). In the first place, the pretrial order provided that the question of liability was to be tried first and only if liability was established would there then be a separate trial on damages (23a, 125a). By introducing the concept of damages as part of the Judge's determination on the



question of liability, the Trial Judge has ignored his own pretrial order which provided that those items would be separately treated. Further, the Judge's decision that damages must be established is totally incorrect. Under Section 35 of the Lanham Act, 15 U.S.C.A., §1117, the plaintiff is entitled to recover "(1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." This section of the statute further defines how the various items of damages are to be determined. It provides that if "recovery based on profits is either inadequate or excessive the Court may in its discretion enter judgment for such sum as the Court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty."

Judge Knapp in his decision alludes only to the question of attorneys' fees as constituting damages (126a, 127a). This is obviously wrong and not in accordance with the statute and demonstrates the Judge's failure to grasp the issues involved in this trademark infringement case. The Judge's decision demonstrates attitudes rather than a legal rationale.

The only case relied upon by the Trial Judge is *University of Notre Dame v. Twentieth Century-Fox Film Corp.*,

22 A.D.2d 452, 256 N.Y.S.2d 301 (1st Dept. 1965), *aff'd* 15 N.Y.2d 940 (1965). This case is not at all applicable to the instant factual situation. The *Notre Dame* case did not involve a trademark within the protection of the Lanham Act. In that case the plaintiffs, the University of Notre Dame and its president, Father Hesburgh, brought an action seeking to enjoin the release and distribution of a certain motion picture and the continued publication of a novel upon which the motion picture is based. The motion picture in question was a farce which included in its derision the University of Notre Dame. The president of the University is also referred to in the book. The Appellate Division reversed an injunction which had been granted in favor of the plaintiffs and granted the motion of the defendants dismissing the complaint. The Court held that the president of the University, Father Hesburgh, did not have a cause of action for violation of his civil rights under the New York Civil Rights Law, since neither his name, portrait or picture are used in the motion picture.

With respect to the claims of the University, the Appellate Division held that the University was not entitled to any relief under Section 397 of the New York General Business Law. The Court also held that the University did not have a claim for unfair competition. In that connection,



it should be noted that the University was seeking a preliminary injunction and to sustain an injunction, it must show a cause of action for unfair competition. The Court held that the University's complaint was really in defamation and its remedy was one at law if it could prove libel and that under such circumstances injunctive relief could not be granted.

It should be emphasized that the *Notre Dame* case involved only state law and is totally inapplicable to the instant case which involves Federal trademark law. Further, in the instant case, the plaintiff has not at any time moved for injunctive relief. Even if the plaintiff does not sustain its cause of action for unfair competition, this does not relieve the defendants of liability if the cause of action for trademark infringement is upheld.

### POINT III

IT IS NOT NECESSARY THAT THE PARTIES  
BE IN DIRECT COMPETITION WITH EACH  
OTHER IN ORDER FOR THE DEFENDANTS TO  
INFRINGE PLAINTIFF'S SERVICE MARKS.

It has often been held that direct competition between the parties is not necessary to establish a trademark infringement. The rule has been specifically stated in *Continental Motors Corporation v. Continental Aviation Corp.*, 375 F.2d 857 (5th Cir. 1967):

"the District Court was laboring under the serious misapprehension that two factors compelled the denial of relief: (1) the absence of competition between the parties . . . and (2) the fact that the claimed trademark incorporated a geographical adjective, . . . " (p. 860)

Often and recently we have made plain that direct competition between the products is not a prerequisite to protective relief. . . . Confusion, or the likelihood of confusion, not competition, is the real test of trademark infringement. Whether or not direct competition exists is but one of the elements to be considered in determining whether there is or will be a likelihood of confusion." (p. 861)

Again, in *Beef/Eater Restaurants, Inc. v. James Burrough Limited*, 398 F.2d 637 (5th Cir. 1968) the Court stated the rule as follows in connection with a case involving the use of the same name by a restaurant and a gin distillery:

"It is true that appellant operates a restaurant and appellees on the other hand make and vend gin. Both are consumable and it is repeatedly held that the parties need not be in competition and that the goods or services need not be identical." (p. 639)

Although it is not necessary to establish direct competition, and although at first glance it would appear that the parties are not in competition with each other, it is submitted that in fact the parties are in substantial competition with each other. This substantial competition results from the fact that the parties are engaged in the



business of producing programs to show on television for the purpose of promoting the goods and services of others through advertisements on the television programs. In this respect, the parties are in substantial competition with each other. It may be that the program content of their respective programs is different and that the broadcast times and dates are different. These differences, however, should not detract from the similarities. The ability of each of the parties to produce top quality programs for showing on television puts them in substantial competition with each other.

On the other hand, to the extent the Court may consider that there is not substantial competition between the parties, it is nevertheless submitted that under the tests set forth in *Polaroid Corporation v. Polarad Electronics Corporation*, 287 F.2d 492 (2nd Cir. 1961), *cert. den'd*, 368 U.S. 820 (1961), the defendants should still be deemed to have infringed the plaintiff's service marks and be liable for trademark infringement under the Trademark Act. The test set forth in the *Polaroid* case is as follows:

"Where the products are different, the prior owners chance of success, is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defen-

dant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers." (p. 495)

Plaintiff has satisfied the conditions set forth in the *Polaroid* case.

(a) The strength of the mark. The *Patricelli* case, *supra*, has established the strength of plaintiff's service marks. As noted in the Statement of Facts (pp. 4, 12), the plaintiff's Miss U.S.A. Beauty Pageant has been broadcast on national television every year since 1965 during which period of time it has been viewed by millions of households each year (25a, 26a, 80a).

(b) The degree of similarity between the marks. There is complete similarity between the marks. In the title defendants use the words "Miss U.S.A." This designation, together with references to "Miss United States" are repeated (either orally or visually) throughout the script of the defendant's photoplay (27a).

(c) The proximity of the product. The proximity of the product has previously been discussed. In that respect, it was argued that both parties are involved in similar businesses related to the production of shows for home consumption for viewing on television for the purpose of promoting the goods and services of others through advertisements during the television program. Further,



there is complete proximity since the McCloud production is concerned with a beauty contestant and pageant.

(d) Likelihood that the prior owner will bridge the gap. At this time the plaintiff cannot speculate what directions its future programming will take. It is unlikely that plaintiff would involve itself in the production of a program similar to McCloud, although it is conceivable that plaintiff would license others to use its service marks for such a program. In fact, the defendants suggested licensing, but after viewing McCloud, plaintiff decided against licensing since the film contained many objectionable features (109a to 113a). On the other hand, this factor should be given little or no significance when compared to the other factors involved in this case and particularly, when considered in the context of defendants' bad faith. (See Statement of Facts, pp. 6-8 and item (f) *infra*.)

(e) Actual Confusion. The same comment made with respect to "bridging the gap" in (d), *supra*, would also apply to this item. When the products are not similar actual confusion is not always present. As noted by this Court in *Kiki Undies Corp. v. Promenade Hosiery Mills, Inc.*, 411 F.2d 1097, 1099, (2nd Cir. 1962), *cert. dis'd*, 396 U.S. 1054 (1970):

"These factors are variable and relative and no single one, because of its presence or absence, is, in itself, determinative of a case. Rather, the method of approach requires the trial court to consider and weigh the evidence relative to each of these points and such other points as, in the particular circumstances before it, the court finds applicable; then, from a balancing of the conclusions reached on all of these factors, the court decides whether or not the parties are entitled to the relief or protection sought."

This Court further held in *Kiki, supra*, that since "the likelihood of confusion stems from the facts that the marks used by plaintiff and defendant are not only similar but identical, this court is in as good a position as the trial court to determine the question of probable confusion . . . ." (411 F.2d at 1100).

(f) The defendants' good faith in adopting its own mark. The record in this case demonstrates that the defendants have acted in bad faith. Prior to the time of the production, the plaintiff contacted the defendants, asserted its rights but nevertheless, the defendants disregarded those assertions and proceeded to produce the television program with the offensive use of plaintiff's service marks. The defendants were warned adequately in advance and showed their bad faith by proceeding without regard to that warning and then had the temerity to broadcast the McCloud show a second time (27a). In the *Kiki* case,



*supra*, it was held that "the defendant must carry the burden of explanation and persuasion." (p. 1101) It is submitted that defendants have not met this burden. The Trial Judge was in error in dismissing plaintiff's case without requiring the defendants to sustain their burden since plaintiff came within the following rule established by this Court in *Kiki*, *supra* (411 F.2d at 1101):

"The lower court found that there was no evidence of defendant's bad faith, but in so doing, it erroneously assumed that the burden of proof was on the plaintiff. In a case such as this, where the allegedly infringing mark is identical to the registered mark, and its use began subsequent to the plaintiff's trade-mark registration, the defendant must carry the burden of explanation and persuasion."

(g) The quality of defendants' product. Plaintiff does not claim that defendants' product is inferior. Plaintiff's objection to the McCloud television program is the false and misleading manner in which plaintiff's beauty pageant and its contestants are depicted. See pages 9-12 of the Statement of Facts herein describing the objectionable features of the McCloud film. See also the discussion under Point IV on trade libel and unfair competition.

(h) Sophistication of the Buyers. Both parties appeal to the same group of buyers consisting of the general television audience. The sophistication of the audience cannot be appraised since it is all embracing and diversified,

both from economic, social and geographic points of view. We do submit, however, that anyone viewing defendants' television program entitled "McCloud: Who Killed Miss U.S.A." could associate that program with the plaintiff's "Miss U.S.A." beauty pageant. Since the consuming public was already familiar with Miss U.S.A. it would be natural for the viewing public to be attracted to the McCloud production or assume there was a relationship between the beauty pageant and the McCloud production. As noted by this Court in *Kiki, supra*, "the import of this factor is small indeed because of the fact that the marks are identical." (411 F.2d at 1101)

A balancing of all the foregoing factors, in the words of this Court in *Kiki, supra*, "point to only one determinative result and that is that the defendant is infringing the plaintiff's trademarks; the plaintiff is, therefore, entitled to the relief sought." (411 F.2d at 1101)

#### POINT IV

#### DEFENDANTS' McCLOUD PRODUCTION CONSTITUTES UNFAIR COMPETITION, TRADE LIBEL AND PRODUCT DISPARAGEMENT AS AGAINST THE PLAINTIFF.

The plaintiff has asserted two causes of action in unfair competition. One is for product disparagement (trade libel) and the other is for "palming off."

With respect to product disparagement, the following list indicates certain portions of the McCloud script



which plaintiff asserts disparage the plaintiff's valuable property rights in the "Miss U.S.A." and "Miss United States of America" trademarks: \*

(i) Pages 41 to 45 describing the hotel and murder scene.

(ii) Page 89 referring to Miss New York as "not exactly a cover-girl. She's one of the ones you fold out."

(iii) Pages 89-91 setting forth the conversation (in a brass bed in Times Square) between McCloud and Miss New York describing the murdered girl as a high class prostitute.

(iv) Similarly see un-numbered pages at scenes 252 and 253 describing the murdered girl as follows:

"He picks up an 8 x 10 from Chris' research material -- a glossy, provocative photo of MerriAnn Coleman.

McCLOUD

MerriAnn Coleman...Miss Tennessee.  
Friend of hers told me she was an  
all-out flirt.

(indicates photo)  
Even these pictures aren't supposed  
to turn people off.

As he talks, he strolls over to the terrace doors, apparently deeply involved in what he is saying.

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\*The script is included in the Record as part of the papers used on the motion for summary judgment.

McCLOUD

So here she is in the big city.  
Men all over the place. Not  
like the boys back home...Big  
men, important. Men with money.

253

EXT. TERRACE - NIGHT

as he comes out, still talking. Whitman  
follows him. McCloud deliberately places  
his back to the lawyer and leans on the  
railing.

McCLOUD

So she starts sending out signals  
and somebody gets the message.  
She doesn't expect a well-bred  
gentleman to get out of hand...  
certainly not in her room with  
chaperones just down the hall...  
so she lets him in just enough  
to keep it flirtatious...just  
enough to drive him up the walls.

(glances back  
at Whitman)

You with me?

WHITMAN

Sounds right so far.

. . . . "

The McCloud telecast is an unseemly characterization  
of the plaintiff's beauty pageant. The contestants in the  
beauty pageant are depicted in a sleazy manner making use of  
second rate hotels in the 31st Street and Lexington Avenue  
(script page 24) area of Manhattan and having regular male  
visitors.



See pages 9-11 of the Statement of Facts herein describing scenes of the McCloud telecast objected to by plaintiff and which clearly disparage plaintiff. The disparagement was also included in the promotional materials used by defendants. For instance, if Judge Knapp had not dismissed the action at the end of plaintiff's case, defendants would have been examined with respect to promotional materials including the reference to the hotel room used in the film where the girl was murdered as "a third-rate hotel room" (See Exhibit 3 under "production notes" attached to defendants affidavit used on the motion for summary judgment) (See, also, plaintiff's contentions as to the damage to its reputation at pages 33a and 34a.)

The second unfair competition cause of action relates to the use by the defendants of the same names used by the plaintiff to describe its beauty pageant and the winner of that pageant which is known either as Miss U.S.A or Miss United States of America. The plaintiff has been producing the Miss U.S.A. beauty pageant since 1952 (24a, 25a, 74a). From that time until the first broadcast of the McCloud telecast, the plaintiff conducted 18 beauty pageants. Of these, starting with the beauty pageant conducted in Miami Beach in 1965, the pageant has been broadcast on national television over the CBS Network

(25a, 74a). By reason of the foregoing, the Miss U.S.A. title and the Miss United States of America beauty pageants have become widely known to the general public.

If plaintiff's case had not been dismissed prior to the presentation of defendants' case it would have been demonstrated that the defendants extensively advertised the "McCloud: Who Killed Miss U.S.A." telecast and by so doing it is clear that they derived substantial benefits from the good will that had been developed by the plaintiff over the years in promoting the Miss U.S.A. beauty pageants and beauty queens.

These facts fit the classic unfair competition cause of action of "palming off"; the defendants should not be permitted to benefit from the efforts over the years and the great expense that the plaintiff has expended in developing and promoting its valuable property rights.

As noted most recently by this Court in *Beech-Nut, Inc. v. Warner-Lambert Company*, 480 F.2d 801 (2nd Cir. 1973):

"The essential and primary element in any action based upon common law infringement, unfair competition, or violation of the Lanham Act is deception." (p. 803)

Plaintiff asserts that the bold use by defendants of the Miss U.S.A. service mark in the title of its photoplay on prime time television with extensive advertising constitutes an actionable deception. The television viewer,



who over the years has become familiar with the title "Miss U.S.A.," could easily be deceived into believing that the McCloud telecast was in some manner connected with Miss U.S.A., especially since the defendants created the script and advertised it around the murder of a beauty contestant (35a-37a). Because of such obvious similarities, the defendants were able to capitalize on the good will built up over the years by the plaintiff.

The defendants cannot claim that their use of the term "Miss U.S.A." was in good faith. The defendants knew, prior to the telecast, that "Miss U.S.A." was a registered service mark of the plaintiff. Notwithstanding such knowledge, the defendants showed McCloud on television. As noted in the Statement of Facts (pp. 6-8) the actions of the defendants demonstrate their bad faith.

The Trial Judge ignored the foregoing by holding, without any supporting law, that damage must be shown and that legal fees are not adequate damages. First, it should be noted that the question of damage was to be separately tried (23a, 77a). Second, to sustain the within causes of action for disparagement and palming off, proving special damages is not necessary. The rule is stated in 2 Callmann, *supra*, Secs. 43.1(b) and 45.4:

"In actions for unfair competition, this rule no longer applies. The plaintiff need not show special damages, present or probable injuries will suffice."  
(2 Callman, *supra*, Sec. 45.4)

See also *Gardella v. Log Cabin Products Co., Inc.*,  
89 F.2d 891 (2nd Cir. 1937).

To affirm the Trial Judge's decision will mean that valuable property rights may be utilized, without consent, by others for their private gain without any compensation to the owner. This is not the law. See *Geisel v. Poynter Products, Inc.*, 283 F. Supp. 261 (S.D.N.Y. 1968), *Columbia Broadcasting System, Inc. v. Documentaries Unlimited, Inc.*, 42 M.2d 723, 248 N.Y.S.2d 809 (N.Y. 1964), *Flexitized, Inc. v. National Flexitized Corporation*, 335 F.2d 774 (2d Cir. 1964), *cert den'd*, 380 U.S. 913 (1965), and the recent unreported decision by Magistrate Hagopion in *Victor DeCosta v. Columbia Broadcasting System, Inc., et al.*, Civ. 3130 (R.I. April 15, 1974).

Although Judge Knapp admits that defendants used the name "Miss U.S.A. to attract attention" (125a) he concludes that "There was no palming off; by hypothesis what I have said before indicates there couldn't have been any intent or otherwise to palm off." (126a). The two conclusions are obviously inconsistent. Since Judge Knapp has "no doubt" that defendants used plaintiff's service



marks "to attract attention" (125a) then there is at the very least a question of fact presented on the palming off issue.

From the foregoing, it is clear that the case should not have been dismissed at the conclusion of plaintiff's evidence. The factual issues presented should have been decided only after both parties had completed their cases. Obviously, plaintiff's evidence established claims or causes of action with respect to trade libel and palming off which could only be decided after all the facts had been given. To hold otherwise and affirm the decision below would open the door to others trading upon property rights without the consent of the owner. The defendants should not be permitted to benefit from their exploitation of plaintiff's valuable property rights.

#### POINT V

THE USE BY DEFENDANTS OF PLAINTIFF'S  
TRADEMARKS CONSTITUTES A DILUTION  
UNDER THE PROVISIONS OF SECTION 368-d  
OF THE NEW YORK GENERAL BUSINESS LAW.

Section 368-d of the New York General Business Law, commonly known as the "anti-dilution statute," provides that "notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services" a plaintiff is entitled to injunctive

relief in the event of the likelihood or dilution of the "distinctive quality of a mark or tradename." \*

Everything previously stated clearly demonstrates that the Miss U.S.A. and Miss United States of America service marks owned by the plaintiff come within the provisions of 368-d. If any of plaintiff's other causes of action are established then plaintiff is entitled to relief under Sec. 368-d.

If the defendants are permitted to continue using plaintiff's trademarks in rebroadcasts of the McCloud productions, such continued use will constitute a dilution of those marks so that through constant repetition, the viewing audience will lose or minimize the association of the marks with the beauty pageants conducted by the plaintiff.

Therefore, the plaintiff is entitled to injunctive relief against the defendants, prohibiting them from further using the names "Miss U.S.A." or "Miss United States of America" in any rebroadcast of the McCloud photoplay.

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\* Sec. 368-d reads in full as follows:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in case of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.



CONCLUSION

THE JUDGMENT HEREIN SHOULD BE REVERSED.  
PLAINTIFF'S EVIDENCE SUSTAINED ITS CAUSES  
OF ACTION OR CLAIMS. THE TRIAL JUDGE WAS  
CLEARLY WRONG IN DISMISSING PLAINTIFF'S  
COMPLAINT AT THE CONCLUSION OF ITS CASE.

Respectfully submitted,

MYRON KOVE  
Attorney for Plaintiff-Appellant  
MISS UNIVERSE, INC.

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Brief

IS HEREBY ADMITTED.

DATED: June 25, 1974

Conrad J. Luthers

Attorneys for depts - appellees



